Government of Alberta ■

Petroleum Plaza – North Tower
9945 – 108 Street
Edmonton, Alberta T5K 2G6
Canada
www.alberta.ca

GAS ROYALTY OPERATIONS
INFORMATION BULLETIN
November 2011

A. PRICING RATES AND TRANSPORTATION INFORMATION
Pricing, Royalty Rates and Transportation Information – September 2011 2

B. NOTICES
Office Closures, Christmas Period... 2
Form Submissions 2
2007 Production Year Audits in Progress 2
Royalty Liable Gas Used for Fuel (PURREC/PURDISP) 3

C. MONTHLY INFORMATION
September 2011 Royalty Due December 31 3
October 2011 VA4 Due December 15 4
Registry Deadline Submissions... 4
Interest November 2011... 4
August Provisional Assessment Charge... 4
August Penalty Charges 5
Gas Royalty Operations Support 5
Well Event Measured Depth Determination Letter 5

D. INFRASTRUCTURE DATA CHANGES
Client ID Listing... 6
Client Status Changes... 6
Multiple Gas Valuation Prices... 6

E. REMINDERS
Alberta Natural Gas Royalty Guidelines – 2009 Edition 7
Industry-Wide Distribution of Current RMF2 Listing and EAGEV Reports 7
NGL Reference Prices, August 2011 8

F. POINTS OF CONTACT
Petroleum Registry of Alberta 8
Alberta Energy Internet... 8
Volumetric & Cost Reporting... 8
Reference Prices and Valuation Allowances Calculation Information 10

PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for September 2011, refer to Attachments 1, 1A, 2, 2A and 3. These attachments are also available in Excel Format.

B. NOTICES

Office Closures – Christmas Period

All Alberta Energy offices will be closed from Monday, December 26 to Wednesday, December 28, 2011, inclusive. Our offices are also closed on Monday, January 2, 2012.

Form Submissions

The Department accepts and processes the following forms submitted by industry via courier, fax, mail or email:

AC5-V4, RMF2, RMF2T, RMF3-V2, VA3 and VA4

In order to ensure prompt receipt and processing of forms submitted by email please note that they **must be** sent to one of the following Volumetric and Cost Reporting (V&CR) email addresses: VCR1@gov.ab.ca, VCR2@gov.ab.ca, VCR3@gov.ab.ca as these email addresses are monitored by more than one individual staff member. An email confirmation will be issued upon your request should you require a receipt from the department that your email and specific forms have been received.

Any forms submitted to an individual staff member's email address will not be processed.

If you have any questions or require additional information you may contact Mary Spearing at 780-427-8630.

2007 Production Year Audits in Progress

Non-operator partners are advised that certain Enhanced Oil Recovery, CO2 Project Credit claims, allowable costs, custom processing fees, capital costs, custom processing adjustment factor (CPAF), and volumetric reporting discrepancy audits are currently in progress.

However, completion of the audits and royalty recalculations and assessments, if required, will occur in 2012. Royalty clients are also reminded that amendments received by the Department in the fourth year following the production year may be subject to audit. If the amendments are received late in the fourth year and insufficient time is available for the Department to commence a review of the amendments prior to the end

of the year, the Department reserves the right to commence the audit at the beginning of the fifth year.

If you have any questions, please contact Kris Pretty of the Compliance & Assurance group at 403-297-8785.

Royalty Liable Gas Used for Fuel (PURREC/PURDISP)

The department is reviewing volumetric dispositions of gas, reported on the Petroleum Registry of Alberta (PRA), from batteries, gathering systems or gas plants to batteries, gathering systems or gas plants that is sold or deemed sold for fuel. This review is for production year 2007 onward and is to be completed in 2012. The objective of the review is to ensure that all gas sold and used for fuel is accurately reported on the PRA to facilitate Crown royalty calculation. Where reporting errors are found royalty clients will be notified to submit amendments.

Effective June 4, 2009, when there is a sale of gas or transfer of ownership within the royalty network, the selling facility is required to report PURDISP, which would then auto populate the PURREC for the purchaser (receiving facility). This enhances the controls to prevent fuel sale gas volumes from being incorrectly reported in PRA. This new reporting method also applies to all prior period amendments completed after June 4, 2009. A purchase disposition (PURDISP) is a volume of product that has been sold by a facility to another facility within the royalty network. A PURDISP of gas is subject to Crown royalty charges.

For example: effective June 4, 2009, if a gas plant (GP) sells gas for fuel to a battery (BT) each month, the reporting is as follows:

1. The GP Operator must report a PURDISP.
2. This will auto populate a PURREC at the BT.
3. The GP operator must then file a SAF/OAF for the PURDISP volumes.

All parties should take steps to ensure that in network sales or transfers of gas are correctly reported in the PRA.

If you have any questions, please contact Salim Sumar at 780-422-9255.

C. MONTHLY INFORMATION

September 2011 Royalty Due December 31

- **Royalty clients are to remit the total amount payable shown on the December 2011 Statement of Account by December 31, 2011.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement

issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The December 2011 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your September 2011 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of September 2011 if it is paid in full by December 31, 2011.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

October 2011 VA4 Due December 15

The VA4 forms for the production month of October 2011 are due in the department offices by December 15, 2011.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Calendars. Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate November 2011

Alberta Energy's interest rate for November is 4.00%.

August Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the August 2011 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$1,420,125.71	$(1,353,669.39)	$66,456.32

August Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the August 2011 billing period:

Form	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2011/08
AC2	$69,400.00	($17,100.00)	$52,300.00
AC4	$0	$0	$0
AC5	$600.00	$0	$600.00
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$1,200.00	$0	$1,200.00
Total	**$71,200.00**	**($17,100.00)**	**$54,100.00**

Gas Royalty Operations Support

Upon request, Gas Royalty Operations staff will be available to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to contact your respective Volumetric and Cost Reporting portfolio representative, as identified in Section F of this bulletin, to arrange a meeting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via the PRA on November 01, 2011 This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the new royalty formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through the PRA to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates. This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Multiple Gas Valuation Prices

Royalty information related to the determination of the Meter Station Factors to adjust transportation for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Alberta Natural Gas Royalty Guidelines - 2009 Edition

The Alberta Natural Gas Royalty Guidelines (2009) have been finalized and released to the department's website located at: www.energy.gov.ab.ca

The department updates the Alberta Natural Gas Royalty Guidelines when there is a major change in relevant policy or legislation, and regularly to incorporate information published in Information Letters and Information Bulletins. Some major changes included in this guideline release are the Alberta Royalty Framework and Competitiveness Review changes, specifically dealing with royalty rate components and formulas, royalty reductions and gas cost allowance.

Please note that the 2009 edition is effective for January 2009 production periods forward. The 2006 edition is still applicable for periods prior to January 2009.

If you have any questions, please contact Penny White at 780-422-8083.

Industry-Wide Distribution of Current RMF2 Listing and EAGEV Reports

To date, the following reports have been available for distribution to royalty clients upon request:

- Current RMF2 Listing – issued to royalty clients who are assignors on the RMF2 form and identifies active reassignments of volumes with an effective date range in an open year

- Energy Adjusted Gas Equivalent Volume (EAGEV) – identifies all corporate volumes (including freehold, non-Alberta, and purchased) for a royalty payer and its royalty clients

In consultation with the Business Operations Work Committee (BOWC), it was agreed that both of these reports will now be routinely provided with the monthly invoice package for all industry royalty clients, commencing with the August 2011 billing period invoice run in October 2011. Rather than process individual royalty client requests to be removed from monthly distribution, the department asks that you discard the outputs if you do not require this information.

If you have any questions, please contact your Volumetric & Cost Reporting portfolio representative, as identified in Section F of this bulletin.

NGL Reference Prices, August 2011

A sizeable number of prior period audit amendments have been processed this month resulting in significant adjustments to NGL Reference Prices and Transportation Allowances. The Department of Energy intends to become as current as possible with prior period NGL audit amendments, in anticipation of changes to the calculation of NGL Reference Prices and Allowances. The Department of Energy and Industry are currently engaged in a review of the NGL Royalty Valuation model, but details of a replacement model and implementation timelines are not yet known. Please see attachment 2A.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry.
To contact the Petroleum Registry of Alberta Service Desk:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: petroleumregistry.energy@gov.ab.ca

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call the C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.
In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer. Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the

appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Richard Stokl
Director, Gas Royalty Operations
Royalty Operations

Attachments

2011 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	3.49	3.49	3.49	3.50	3.73	3.69	3.72
FEB	3.40	3.40	3.40	3.40	3.40	3.40	3.40
MAR	3.19	3.19	3.19	3.19	3.19	3.19	3.19
APR	3.30	3.30	3.30	3.30	3.30	3.30	3.30
MAY	3.39	3.39	3.39	3.39	3.39	3.39	3.39
JUN	3.51	3.51	3.51	3.51	3.51	3.51	3.51
JUL	3.42	3.42	3.42	3.42	3.42	3.42	3.42
AUG	3.32	3.32	3.32	3.32	3.32	3.32	3.32
SEPT	3.24	3.24	3.24	3.24	3.24	3.24	3.24
OCT							
NOV							
DEC							

DETAIL OF THE SEPTEMBER 2011 GAS AND ISC REFERENCE PRICES						
	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
NOVA Inventory Transfer (NIT) Purchase Price-Alberta Market Price (AMP) from NGX	3.427	3.427	3.427	3.427	3.427	3.427
Deductions: Intra – Alberta Transportation	0.160	0.160	0.160	0.160	0.160	0.160
Price Before Pipeline Factor	3.267	3.267	3.267	3.267	3.267	3.267
Pipeline Fuel/Loss Factor	0.991	0.991	0.991	0.991	0.991	0.991
Price before Special Adjustment	3.239	3.239	3.239	3.239	3.239	3.239
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP (Price Before Amendment Limitation or Rounding)	3.239	3.239	3.239	3.239	3.239	3.239
Amendments: Brought forward (from previous RP month)	0.000	0.000	0.000	0.000	0.000	0.000
Prior Period Amendment Adjustment (current RP month)	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP after Amendments	3.239	3.239	3.239	3.239	3.239	3.239
Reference Price	**3.24**	**3.24**	**3.24**	**3.24**	**3.24**	**3.24**
Difference carried forward to next RP month (rounding difference not carried forward)	0.000	0.000	0.000	0.000	0.000	0.000
Adjusted Intra-Alberta Transportation Deduction		0.158	0.158	0.158	0.158	0.158

2011
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Floor Price ($/m3)	Butane Reference Price ($/m3)	Butane Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	3.50	3.50	328.53	258.55	476.27	333.43	572.45	556.08	71.15
FEB	3.40	3.40	290.08	255.74	480.89	349.40	580.22	565.91	84.27
MAR	3.19	3.19	320.31	261.41	540.67	348.30	672.36	678.03	84.41
APR	3.30	3.30	325.22	260.22	517.42	360.82	741.56	730.13	91.83
MAY	3.39	3.39	343.92	280.67	494.36	356.71	646.15	615.44	109.07
JUN	3.51	3.51	345.59	282.47	500.69	339.52	647.08	631.87	135.10
JUL	3.42	3.42	333.32	279.22	587.17	346.50	734.90	657.88	112.99
AUG	3.32	3.32	354.47	289.24	527.92	347.11	729.89	610.41	101.27
SEPT	3.24	3.24	359.30	291.17	556.45	373.95	622.20	599.71	117.71
OCT									
NOV									
DEC									

ANNUAL SULPHUR DEFAULT PRICE

2006	2007	2008	2009	2010
$18.89	$32.88	$297.39	$5.89	$42.18

2011

NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	7.57	22.12	22.71	22.15	33.18	15.55	25.64	29.62	35.43	58.58	60.03	34.21	18.25
FEB	9.82	20.74	4.74	23.14	1.62	-6.61	-351.59	71.43	52.73	35.31	58.66	37.18	18.25
MAR	-30.72	12.38	-5.95	19.89	53.49	38.31	2.55	46.74	65.62	60.23	59.49	58.68	18.25
APR	-4.33	38.66	2.95	22.03	23.57	16.66	20.58	20.59	25.86	29.34	43.76	17.81	18.25
MAY	13.95	53.40	30.03	39.48	23.92	9.71	17.84	18.69	31.40	34.71	47.84	23.03	18.25
JUN	1.96	24.86	35.74	29.39	38.59	19.43	30.32	30.32	32.48	36.64	45.68	23.88	18.25
JUL	-68.31	209.04	47.39	162.77	-15.56	-83.14	-269.80	-1.28	-176.85	187.77	50.70	-89.58	18.25
AUG	118.91	155.74	43.89	81.71	151.05	42.45	143.71	63.74	79.90	88.81	99.96	58.10	18.25
SEPT	10.93	38.22	1.24	30.83	71.46	37.17	7.10	59.06	62.96	65.45	59.60	40.87	18.25
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS

NGL REFERENCE PRICES	SEPTEMBER 2011		
	Propane	*Butanes*	*Pentanes*
Price before amendments	359.194455	446.047954	622.194060
Opening Rollover (from prior business mth)	0.001237	-0.000804	0.002635
Prior Period Amendment Adj. (NGL-100)	0.108550	110.404156	0.000000
Published Reference Price	**359.30**	**556.45**	**622.20**

TRANSPORTATION ALLOWANCES	SEPTEMBER 2011											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	-0.002549	-0.003598	0.001851	0.004678	-0.004786	-0.003267	-0.004949	0.000682	0.002790	0.002869	0.002370	0.002795
Prior Period Amendment Adj. (NGL-100)	0.000000	0.000000	0.000000	0.000000	47.107317	55.514705	1.184392	53.134413	37.001311	38.962682	41.389127	37.577434
Total Amendment Effect	-0.002549	-0.003598	0.001851	0.004678	47.102531	55.511438	1.179443	53.135095	37.004101	38.965551	41.391497	37.580229
Calculated Transp. Differential	10.928540	38.224826	1.236905	30.827798	24.353369	-18.342484	5.923576	5.923576	25.952665	26.485686	18.206722	3.287158
Calculated Transp. Differential after Total Amendments	10.925991	38.221228	1.238756	30.832476	71.455900	37.168954	7.103019	59.058671	62.956766	65.451237	59.598219	40.867387
Published Transportation Allowance	**10.93**	**38.22**	**1.24**	**30.83**	**71.46**	**37.17**	**7.10**	**59.06**	**62.96**	**65.45**	**59.60**	**40.87**

Effective January 2011 production period, the royalty rates for methane and ethane are calculated based on a modified royalty formula. The Alberta Royalty Framework Natural Gas Formulas effective the production years 2011, 2010 and 2009 and for Transition, are available on the Alberta Energy Internet address: http://www.energy.alberta.ca

From the home page, select the Alberta Royalty Framework tab to navigate to select the appropriate formula.